

Message Text

CONFIDENTIAL

PAGE 01 STATE 164638

60

ORIGIN EA-14

INFO OCT-01 ADP-00 AID-20 SS-15 NSC-10 EB-11 TRSE-00 L-03

CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01 USIA-15

PRS-01 FRB-02 COME-00 IGA-02 CIEP-02 OMB-01 CEA-02

/113 R

DRAFTED BY DRAFT TEXT RECEIVED FROM WHITE HOUSE

8/17/73 EXT. 22038

APPROVED BY EA:HHBARGER

EA/VN:RGRICHMOND (SUBS.)

EA/VN:RHWENZEL

AID/SA/VN:DDEMBOWSKI (DRAFT)

S/S - MR. PICKERING

----- 119270

P 180115Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY SAIGON PRIORITY

C O N F I D E N T I A L STATE 164638

E.O. 11652: GDS

TAGS: EFIN, EAID, ETRD, EAGR, VS

SUBJ: ECONOMIC POLICY

1. TWO ELEMENTS OF CURRENT POLICIES ARE OF MAJOR CONCERN
HERE: LACK OF EXCHANGE RATE MOVEMENT SINCE MAY 19 AND
THE CONTINUED SLUGGISHNESS OF THE VIETNAMESE ECONOMY.

2. WE APPRECIATE GVN CONCERN WITH SERIOUS DROP IN LEVEL
OF REAL FOREIGN ASSISTANCE AND RECENT PREOCCUPATION WITH
SERIOUS PROBLEMS OF VAT AND WAGE LEVELS. HOWEVER WE
BELIEVE ATTENTION SHOULD NOW FOCUS ON GETTING THE ECONOMY
MOVING PARTICULARLY IN THE RECONSTRUCTION DEVELOPMENT
EFFORT INCLUDING PRIVATE INVESTMENT. TO AVOID
UNMANAGEABLE PRESSURES ON EXCHANGE AVAILABILITIES THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 164638

EXCHANGE RATES SHOULD BE MOVED AS THE PACE OF ECONOMIC

ACTIVITY IS ACCELERATED.

3. WE UNDERSTAND THAT GVN PLANS MOVE CIP RATE TO 430 AT SAME TIME REDUCING ADVANCE DEPOSIT. THIS SEEMS SENSIBLE. WE ARE CONCERNED HOWEVER THAT EXCHANGE RATES HAVE NOT MOVED IN THREE MONTHS WHILE DOMESTIC PRICES HAVE MOVED UP SUBSTANTIALLY. MOREOVER ABSENCE OF INCREASE IN GVN RATE SUGGESTS THAT SUPPOSEDLY FLEXIBLE RATE IS NO LONGER FLEXIBLE. GIVEN GVN CONCERN WITH ITS RESERVES AND OBVIOUS SHORTAGE OF FUNDING FOR GVN IMPORTS, WOULD APPEAR

INCREASE IN GVN RATE IS INDICATED. WITHOUT SUCH CHANGE, WILLINGNESS AND ABILITY TO STIMULATE ECONOMIC ACTIVITY LIKELY TO BE VERY PROBLEMATIC.

4. WITH CHANGES IN RELATIVE VALUE DOLLAR WE ARE INCLINED TO SEE RATE SPREAD REDUCED SOMEWHAT, AND CERTAINLY WOULD NOT WANT IT TO INCREASE. WHILE TAX INCREASES ON SO-CALLED LUXURY IMPORTS ARE LONG OVERDUE AND SOME LIMITATIONS TO PROHIBITED IMPORT LIST MIGHT BE USEFUL PUBLIC SIGN OF AUSTERITY, BASIC ACTION TO RATION FOREIGN EXCHANGE SHOULD BE MOVEMENT EXCHANGE RATES. WE DO NOT BELIEVE STABILITY OF BLACK MARKET RATE ANY REASON TO HOLD OFF ON FURTHER MOVEMENT OF OFFICIAL EXCHANGE RATES.

5. INVESTMENT IS KEY TO BOTH LONGER TERM SELF-SUFFICIENCY AND TO REDUCTION OF CURRENT UNEMPLOYMENT AND RECESSION. IT CONTINUES TO BE UNCLEAR WHAT BLOCKS TO INVESTMENT ARE. ARE LOANS AVAILABLE? IS AGRICULTURAL BANK SHORT OF FUNDS? IS THE PROBLEM THE COST OF IMPORTED EQUIPMENT? IS POLITICAL UNCERTAINTY OVERRIDING?

6. COOPER WILL BE VISITING SAIGON NEXT WEEK. HE WILL WANT TO DISCUSS ABOVE ISSUES WITH MISSION AND WITH SENIOR GVN OFFICIALS. ROGERS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, FOREIGN EXCHANGE RATES, DEVALUATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE164638
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS BARGER
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730829/aaaaauzu.tel
Line Count: 97
Locator: TEXT ON-LINE
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 06 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Dec-2001 by shawdg>; APPROVED <28 FEB 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC POLICY
TAGS: EFIN, EAID, ETRD, EAGR, VS
To: SAIGON
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005